

***RHODE ISLAND
SMALL CITIES COMMUNITY DEVELOPMENT
BLOCK GRANT PROGRAM***

APPLICATION HANDBOOK

Federal FY 2005 Funding Cycle

STATE OF RHODE ISLAND
Don Carcieri, Governor

***DEPARTMENT OF ADMINISTRATION
Municipal Affairs, Community Development***
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COMMUNITY DEVELOPMENT PROGRAM

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FY'2005 Rhode Island
Small Cities CDBG Program

I. INTRODUCTION AND PROGRAM OUTLINE

A. STATE ADMINISTRATIVE ORGANIZATION

The Community Development Staff administers this program. To serve as a support element for the program, a Program Steering Committee has been formed with representation from the Governor's Office, the Rhode Island Economic Development Corporation, the Rhode Island Housing and Mortgage Finance Corporation, the Department of Administration, the Department of Transportation, and two citizens appointed by the Governor with expertise or interest in housing and economic development issues. The Committee is advisory to the Governor and CD staff and participates in the evaluation of applications and grant amendments.

B. AVAILABLE FUNDING

In FY'2005, the total funding available for the Rhode Island program is \$5,860,847. From this total, the amount of \$217,216 is set aside as the amount for state use in program administration; \$100,000 requiring no match; and \$117,216 matched by the state on a one-to-one basis. In addition, \$58,608 (1% of the State's allocation) is set aside to provide technical assistance to grantees and non-profit subrecipients. Funds may, at the State's discretion, then be held aside to defease repayments on defaulted Section 108 loan guarantees. If permissible, the State may also hold aside certain additional administration amounts from this grant to enable it to implement the Integrated Disbursement and Information System (IDIS) or other financial/reporting systems required by HUD.

The remainder, approximately \$5,585,023 will be available to distribute to eligible subrecipients, as follows:

- (1) From this amount, eligible small city entitlement communities will receive \$400,000/each to expend on eligible activities in their predominantly low/moderate income areas, meeting minimum concentration requirements, consistent with a comprehensive plan submitted to the State.
- (2) The progress of communities in the second/third year of a previously funded multi-year neighborhood revitalization program will be assessed and FY'2005 funds will be committed as determined appropriate.

Remaining monies, after the deduction of any setasides and (1-2) above, will fund applications on a competitive basis. Any uncommitted funds recaptured, reallocated, or otherwise available from prior program years or uncommitted program income earned which becomes available prior to grant awards will be used to defease repayments on defaulted Section 108 loan guarantees or will be applied to projects proposed in the annual application cycle, at the State's discretion.

Any additional funds recaptured, reallocated or otherwise available subsequent to grant awards or any program income received subsequent to that date shall be used to repay defaulted Section 108 loan guarantees or will be reserved, at the State's discretion. If sufficient funds become available, the State may, at its discretion, open a special application cycle to distribute these funds for housing, economic development and community revitalization activities or use such monies to repay defaulted Section 108 loan guarantees.

Preliminary applications for available funds received after the application cycle will be reviewed by the staff for compliance with community development requirements, threshold criteria, and State procedures. Full applications will then be reviewed by the Steering Committee for feasibility and effectiveness. The Steering Committee will make a recommendation for funding to the Governor. Although there will be no funding limits imposed, acceptance of applications and funding decisions are subject to the availability of funds at the time the application is submitted.

If more than one application is under consideration and insufficient funds are available, priority will be given to proposals based on the criteria outlined in the State's rating and ranking process.

C. ELIGIBLE COMMUNITIES

All Rhode Island municipalities; except the entitlement cities of Cranston, East Providence, Pawtucket, Providence, Warwick, and Woonsocket; are eligible for funding.

II. NATIONAL OBJECTIVES

A. GENERAL

The primary objective of the Housing and Community Development Act of 1974, as amended, is the development of viable urban communities by providing decent housing, a suitable living environment and expanding economic opportunity; principally for persons of low and moderate income. To be consistent with this primary objective, each activity must address one of the following objectives:

1. Benefit low and moderate income families and individuals;
or,
2. Aid in the prevention or elimination of slums and blight

Local programs may also include activities designed to meet community development needs having a particular urgency.

The following criteria shall be used to determine whether a proposed activity complies with one or more of the national objectives.

B. ACTIVITIES BENEFITTING LOW AND MODERATE INCOME PERSONS

Activities meeting the criteria in this section, as applicable, will be considered to benefit low and moderate income persons unless there is substantial evidence to the contrary. In assessing any such evidence, the full range of direct efforts of the assisted activity will be considered. The activities, when taken as a whole, must not benefit moderate income persons to the exclusion of low income persons.

1. Area Benefit Activities

An activity, the benefits of which are available to all of the residents in a particular area, where at least 51 percent of the residents are low and moderate income persons. Such an area need not be coterminous with census tracts or other officially recognized boundaries but must be the entire area served by the activity. Units of general local government may use either HUD-provided data comparing census data with appropriate low and moderate income levels or survey data that is methodologically sound. (See Appendix B for Methodology).

An activity that serves an area that is not primarily residential in character shall not qualify under this criteria. **The activity should be designed, to the maximum extent feasible, to serve the residents of the low/moderate income area primarily/exclusively.**

2. Limited Clientele Activities

- (i) An activity which benefits a limited clientele, at least 51 percent of whom are low or moderate income persons. The following kinds of activities may not qualify under this paragraph:
 - (a) Activities, the benefits of which are available to all the residents of an area;
 - (b) Activities involving the acquisition, construction or rehabilitation of property for housing; or
 - (c) Activities where the benefit to low and moderate income persons to be considered is the creation or retention of jobs.
- (ii) To qualify under this section, the activity must meet one of the following tests:
 - (a) Benefit a clientele who are generally presumed to be principally low and moderate income persons. The following groups are presumed by HUD and CD to meet this criterion; abused children, battered spouses, elderly persons, handicapped persons, illiterate persons and migrant farm workers;
 - (b) Require information on family size and income so that it is evident that at least 51 percent of the clientele are persons whose family income does not exceed the low and moderate income limit;
 - (c) Have income eligibility requirements which limit the activity exclusively to low/moderate income persons; or
 - (d) Be of such nature and be in such location that it may be concluded that the activity's clientele will primarily be low and moderate income persons.
- (iii) A special project directed to removal of material and architectural barriers which restrict the mobility and accessibility of elderly or handicapped persons to publicly owned and privately owned non-residential buildings, facilities and improvements, and the common areas of residential structures containing more than one dwelling unit.

3. Housing Activities

An eligible activity carried out for the purpose of providing or improving permanent residential structures which, upon completion, will be occupied by low and moderate income households. This would include, but not necessarily be limited to, the acquisition or rehabilitation of property, conversion of non-residential structures, and new housing construction. If the structure contains two dwelling units, at least one must be so occupied, and if the structure contains more than two dwelling units, at least 51 percent of the units must be so occupied. Where two or more rental buildings being assisted are or will be located on the same or contiguous properties, and the buildings will be under common ownership and management, the grouped buildings may be considered, for this purpose, as a single structure. For rental housing, occupancy by low and moderate income households must be at affordable rents to qualify under this criterion. The following shall also qualify under this criterion:

- (i) When less than 51 percent of the units in a structure will be occupied by low and moderate income households, CDBG assistance may be provided in the following limited circumstances:
 - (a) The assistance is for an eligible activity to reduce the development cost of the new construction of a multifamily, non-elderly rental housing project; and
 - (b) Not less than 20 percent of the units will be occupied by low and moderate income households at affordable rents; and
 - (c) The proportion of the total cost of developing the project to be borne by CDBG funds is no greater than the proportion of units in the project that will be occupied by low and moderate income households.

4. Job Creation or Retention Activities

- (i) An activity designed to create permanent jobs where at least 51 percent of the jobs, computed on a full time equivalent basis, involve the employment of low and moderate income persons. For an activity that creates jobs, the unit of general local government must document that at least 51 percent of the jobs will be held by, or will be made available to low and moderate income persons.

- (ii) For an activity than retains jobs, the unit of general local government must document that the jobs would actually be lost without the CDBG assistance and that either or both of the following conditions apply with respect to at least 51 percent of the jobs at the time the CDBG assistance is provided: the jobs are known to be held by low or moderate income persons; or the jobs can reasonably be expected to turn over within the following two years and that they will be filled by, or that steps will be taken to ensure that they are made available to, low or moderate income persons upon turnover.
- (iii) Jobs will be considered to be available to low and moderate income persons for these purposes only if:
 - (a) Special skills that can only be acquired with substantial training or work experience or education beyond high school are not a prerequisite to fill such jobs, or the business agrees to hire unqualified persons and provide training;
 - (b) The unit of general local government and the assisted business take actions to ensure that low and moderate income persons receive first consideration for filling such jobs; or
 - (c) The employee resides in a census tract where not less than 70 percent of the residents are low and moderate income persons.
 - (d) The assisted business is located within a census tract (or block numbering area) that meets the following requirements:
 - (1) It has a poverty rate of at least 20 percent as determined by the most recently available decennial census information;
 - (2) It does not include any portion of a central business district, as this term is used in the most recent Census of Retail Trade, unless the tract has a poverty rate of at least 30 percent as determined by the most recently available decennial census information; and
 - (3) It evidences pervasive poverty and general distress by meeting at least one of the following standards:

- (a) All block groups in the census tract have poverty rates of at least 20 percent; and
 - (b) The specific activity being undertaken is located in a block group that has a poverty rate of at least 20 percent.
- (iv) As a general rule, each assisted business shall be considered to be a separate activity for purposes of determining whether the activity qualifies under this paragraph, except:
 - (a) In certain cases such as where CDBG funds are used to acquire, develop or improve a real property (e.g., a business incubator or an industrial park) the requirement may be met by measuring jobs in the aggregate for all the businesses that locate on the property, provided the businesses are not otherwise assisted by CDBG funds.
 - (b) Where CDBG funds are used to pay for the staff and overhead costs of a subrecipient specified in Section 105(a)(15) of the Act making loans to businesses exclusively from non-CDBG funds, this requirement may be met by aggregating the jobs created by all of the businesses receiving loans during any one-year period.
 - (c) Where CDBG funds are used by a recipient or subrecipient to provide technical assistance to businesses, this request may be met by aggregating the jobs created or retained by all of the businesses receiving technical assistance during any one year period.
 - (d) Where CDBG funds are used for public facilities or improvements which will result in the creation or retention of jobs by more than one business, this requirement may be met by aggregating the jobs created or retained by all such businesses as a result of the public facility or improvement.

- (1) Where the public facility or improvement is undertaken principally for the benefit of one or more particular businesses, but where other businesses might also benefit from the assisted activity, the requirement may be met by aggregating only the jobs created or retained by those businesses for which the facility/improvement is principally undertaken, providing that the cost (in CDBG funds) for the facility/improvement is less than \$10,000 per permanent full-time equivalent job to be created or retained by those businesses.
- (2) In any case where the cost per job to be created or retained is \$10,000 or more, the requirement must be met by aggregating the jobs created or retained as a result of the public facility or improvement by all businesses in the service area of the facility/improvement. This aggregation must include businesses which, as a result of the public facility/improvement, locate or expand in the service area of the public facility/improvement between the date the State awards the CDBG funds to the recipient and the date one year after the physical completion of the public facility/improvement. In addition, the assisted activity must comply with the public benefit standards.

5. Planning Only Activities

An activity involving planning (when such activity is the only activity for which the grant to the units of general local government is given, or if the planning activity is unrelated to any other activity assisted by the grant) if it can be documented that at least 51 percent of the persons who would benefit from implementation of the plan are low and moderate income persons. Any such planning activity for an area or a community composed of persons of whom at least 51 percent are low and moderate income shall be considered to meet this national objective.

C. ACTIVITY WHICH AID IN THE PREVENTION OR ELIMINATION OF SLUMS OR BLIGHT

Activities meeting one or more of the following criteria, in the absence of substantial evidence to the contrary, will be considered to aid in the prevention or elimination of slums or blight:

1. Activities to Address Slums or Blight on an Area Basis

An activity will be considered to address prevention or elimination of slums or blight in an area if it can determine that:

- (i) The area, delineated by the unit of general local government, meets a definition of slum, blighted, deteriorated or deteriorating area under state or local law; (See Appendix C)
- (ii) Throughout the area there is a substantial number of deteriorated or deteriorating buildings or the public improvements are in a general state of deterioration;
- (iii) The assisted activity addresses one or more of the conditions which contributed to the deterioration of the area. Rehabilitation of residential buildings carried out in an area meeting the above requirements will be considered to address the area's deterioration only where each such building rehabilitated is considered substandard before rehabilitation, and all deficiencies making a building substandard have been eliminated if less critical work on the building is also undertaken. The unit of general local government must develop minimum standards for building qualifications which may take into account local conditions.
- (iv) The unit of general local government must keep records to document its finding that a project meets the national objective of prevention or elimination of slums and blight.

2. Activities to Address Slums or Blight on a Spot Basis

Acquisition, clearance, relocation, historic preservation and building rehabilitation activities which eliminate specific conditions of blight or physical decay on a spot basis not located in a slum or blighted area will meet this objective. Under this criterion, rehabilitation is limited to the extent necessary to eliminate specific conditions detrimental to public health and safety.

3. Planning Only Activities

An activity involving planning (when the activity is the only activity for which the grant to the unit of general local government is given, or the planning activity is unrelated to any other activity assisted by the grant) if the plans are for a slum or blighted area, or if all elements of the planning are necessary for and related to an activity which, if funded, would meet one of the other criteria of elimination of slums or blight.

D. ACTIVITIES DESIGNED TO MEET COMMUNITY DEVELOPMENT NEEDS HAVING A PARTICULAR URGENCY

In the absence of substantial evidence to the contrary, an activity will be considered to address this objective if the unit of general local government certifies, and the state determines, that the activity is designed to alleviate existing conditions which pose a serious and immediate threat to the health or welfare of the community which are of recent origin or which recently became urgent, that the units of general local government is unable to finance the activity on its own, and that other sources of funding are not available. A condition will generally be considered to be of recent origin if it developed or became urgent within 18 months preceding the certification by the unit of general local government.

E. ADDITIONAL CRITERIA

1. In any case where the activity undertaken is a public improvement and the activity is clearly designed to serve a primarily residential area, the activity must meet the requirements of paragraph B(1), area benefit activities, of this section whether or not the requirements of paragraph B(4), job creation activities, of this section are met in order to qualify as benefiting low and moderate income persons.
2. Where the assisted activity is acquisition of real property, a preliminary determination of whether the activity addresses a national objective may be based on the planned use of the property after acquisition. A final determination shall be based on the actual use of the property, excluding any short-term, temporary use. Where the acquisition is for the purpose of clearance which will eliminate specific conditions of blight or physical decay, the clearance activity shall be considered the actual use of the property. However, any subsequent use or disposition of the cleared property shall be treated as a "change of use" under (4) below.

3. Where the assisted activity is relocation assistance that the unit of general local government is required to provide, the relocation assistance shall be considered to address the same national objective as is addressed by the displacing activity. Where the relocation assistance is voluntary, the unit of general local government may qualify the assistance either on the basis of the national objective addressed by the displacing activity or, if the relocation assistance is to low and moderate income persons, on the basis of the national objective of benefitting low and moderate income persons.

4. Change of Use of Real Property

The standards described in this section apply to real property within the units of general local government's control (including activities undertaken by subrecipients) which was acquired or improved in whole or in part using CDBG funds in excess of the threshold for small purchase procurement (24 CFR 85.36, "Administrative Requirements for Grants and Cooperative Agreements to State, Local and Federally Recognized Indian Tribal Governments". The threshold amount is currently \$100,000. These standards shall apply from the date CDBG funds are first spent for the property until five years after closeout of the unit of general local government's grant.

- (i) A unit of general local government may not change the use or planned use of any such property (including the beneficiaries of such use) from that for which the acquisition or improvement was made, unless the units of general local government provides affected citizens with reasonable notice of an opportunity to comment on any proposed change, and either:
 - (a) The new use of the property qualifies as meeting one of the national objectives and is not a building for the general conduct of government; or
 - (b) The requirements in paragraph (ii) of this section are met.
- (ii) If the unit of general local government determines, after consultation with affected citizens, that it is appropriate to change the use of the property to a use which does not qualify under paragraph 4(i) of this section, it may retain or dispose of the property for the changed use if the unit of general local government's CDBG program is reimbursed or

the State's CDBG program is reimbursed, at the discretion of the State. The reimbursement shall be in the amount of the current fair market value of the property, less any portion of the value attributable to expenditures of non-CDBG funds for acquisition of, and improvements to, the property, except that if the change in use occurs after grant closeout but within 5 years of such closeout, the unit of general local government shall make the reimbursement to the State's CDBG program account.

- (iii) Following the reimbursement of the CDBG program in accordance with (ii) above, the property will no longer be subject to any CDBG requirements.

5. Activities Serving Beneficiaries Outside the Jurisdiction of the Units of General Local Government

CDBG funded activities may serve beneficiaries outside the jurisdiction of the units of general local government that receives the grant, provided the unit of general local government determines that the activity is meeting its needs in accordance with its statement of Community Development Needs submitted as part of the application for assistance.

- (i) A majority of the beneficiaries of such activities may reside outside the boundaries of the locality that receives the grant provided that the receiving locality is willing to implement the activity and will be responsible for meeting statutory requirements.
- (ii) In instances where an activity carried out by a small city also benefits residents of an adjacent entitlement jurisdiction:
 - (a) A majority of the beneficiaries should reside in the small city; or
 - (b) If a substantial majority of beneficiaries reside in the entitlement jurisdiction, that jurisdiction should pay a proportional cost of the activity.

F. PLANNING AND ADMINISTRATIVE COSTS

CDBG funds expended for eligible planning and administrative costs by units of general local government in conjunction with other CDBG assisted activities will be considered to address the national objectives.

